

# Legislative Analysis

---



## NONPROFIT DENTAL CARE CORPORATIONS: BOARDS OF DIRECTORS AND OPERATIONS

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**Senate Bill 631 as reported from committee w/o amendment**  
**Sponsor: Sen. Mike Shirkey**

Analysis available at  
<http://www.legislature.mi.gov>

**Senate Bill 673 as reported from committee as H-1**  
**Sponsor: Sen. Joe Hune**

**House Committee: Insurance**  
**Senate Committee: Insurance**  
**Complete to 12-13-17**

*(Enacted as Public Acts 222 and 223 of 2017)*

### BRIEF SUMMARY:

Senate Bill 631 would amend Act 125 of 1963 to change the requirements regarding the composition of a nonprofit dental care corporation's board of directors.

Senate Bill 673 would amend the Insurance Code to subject nonprofit dental care corporations to certain billing and payment requirements within the code, and to subject them to two prohibitions regarding insurer behavior.

SBs 631 and 673 are tie-barred to one another, which means that neither can take effect unless both are enacted.

### DETAILED SUMMARY:

Senate Bill 631 would amend Act 125 of 1963, an act that provides for the incorporation, supervision, and regulation of nonprofit dental care corporations, to alter the composition of a dental care corporation's board of directors.

Currently under the act, a corporation's board must consist of not more than 25 members, with representation from the general public, from the classes of subscribers listed in Section 19 of the act, and from the Michigan State Dental Association or its successor. Between 40% and 60% of the directors must be licensed dentists approved by the Michigan State Dental Association or its successor.

[Section 19 of the act allows a dental care corporation to receive payment from governmental or private agencies, corporations, associations, groups, or individuals for costs of subscription for dental care.]

Under the bill, the board would be required to include representation from the general public, **from licensed dentists**, and from the classes of subscribers listed in section 19.

The bill would make the following changes regarding the licensed dentist directors:

- The Michigan Dental Association (MDA) could submit to a dental care corporation a list of candidates recommended for the board. The corporation could consider the recommendations, but would not be required to appoint any of the recommended candidates.
- The board could not be made up of more than 60% licensed dentist directors.
- Not less than 40% of the board's directors would be required to be licensed dentists who are not active employees of the dental care corporation.
- Of the 40% minimum of directors who are licensed dentists not actively employed by the dental care corporation, a minimum proportion would have to be members of the MDA at the time of appointment or reappointment. The proportion required to be members of the MDA would be equal to the percentage of all licensed dentists in Michigan who are also members of the MDA.

If the director of the Department of Insurance and Financial Affairs (DIFS) believed that the composition of a board was not in compliance with the requirements, the director would hold a hearing. If after the hearing and written findings the board composition is found to not comply with the requirements, the director would issue and serve on the corporation a copy of the findings and an order requiring the corporation to comply. If the corporation did not comply with the board requirements within 30 days, the director could order the payment of a civil fine of up to \$10,000.

Finally, the bill would require that, at least annually, upon the MDA's request, a dental care corporation must provide information regarding the names, terms of service, and election dates of the board's licensed dentist directors.

MCL 550.363

**Senate Bill 673** would amend the Insurance Code to remove certain exemptions for nonprofit dental care corporations and to require nonprofit dental care corporations to comply with existing prohibitions within the code.

**Remove Exemption for Processing and Payment Requirements**

Section 2006 of the Code requires health providers and health plans to use "timely processing and payment procedures." Among other things, these procedures outline the "timely basis" in which a claim must be paid, describe the requirements for proof of loss and a "clean claim," and provide for penalties and interest for noncompliance.

Currently, nonprofit dental care corporations operating under Act 125 of 1963 are exempt from these requirements. SB 673 would remove the exemption, beginning December 31, 2017, thus making nonprofit dental care corporations subject to these processing and payment requirements.

**Comply with Existing Prohibitions**

Currently under the Code, an insurer cannot require an insured or an insured's dependent to undergo genetic testing before issuing, renewing, or continuing a policy, or require an insured to disclose whether a genetic test has been conducted or the results of the test.

SB 673 would include a nonprofit dental care corporation operating under Act 125 of 1963 as an “insurer” for purposes of this prohibition, beginning after December 31, 2017.

Also under the Code, an insurer cannot require face-to-face contact between a health care professional and a patient for services appropriately provided by telemedicine, as determined by the insurer.

SB 673 would include a nonprofit dental care corporation operating under Act 125 of 1963 as an “insurer” for this prohibition, beginning after December 31, 2017.

MCL 500.2206, 500.3407b, and 500.3476

#### **BRIEF DISCUSSION:**

According to testimony, the bills reflect a compromise between the Michigan Dental Association and Delta Dental of Michigan (a nonprofit dental care corporation organized under PA 125 of 1963) specifically regarding the appointment of dentist directors to Delta Dental’s board.

#### **FISCAL IMPACT:**

Senate Bill 631 would likely lead to a slight increase in costs for the Department of Insurance and Financial Services. The department would be responsible for enforcing compliance with the provisions established and altered by this bill. Costs would be incurred for holding hearings, issuance of findings and orders, and the assessment of civil fines. These costs should be supported by existing appropriations.

Senate Bill 673 would not have a significant fiscal impact on any unit of state or local government.

#### **POSITIONS:**

Representatives of Delta Dental testified in support of the bills. (12-12-17)

Representatives of the following entities indicated support for the bills:

- Department of Insurance and Financial Services (12-12-17)
- Michigan Association of Health Plans (12-12-17; SB 631)
- Michigan Manufacturing Association (12-12-17)

A representative of the Michigan Dental Association indicated a neutral position on the bills.

Legislative Analyst: Patrick Morris  
Fiscal Analyst: Marcus Coffin

---

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.